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Counsel

September 24, 2002

Mary L. Cottrell, Secretary
Dept. of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

**Re: D.T.E. Docket 99-60, Investigation by the Department of
Telecommunications and Energy on its own Motion into the Pricing and
Procurement of Default Service Pursuant to G.L. c. 164, § 1B(d).**

Dear Secretary Cottrell:

Pursuant to the Department's June 30, 2000 order in Docket 99-60-B, Massachusetts Electric Company and Nantucket Electric Company (collectively, the "Companies") are submitting the results of the Companies' most recent solicitation for default service and proposed retail rates for the default service pricing options resulting from the solicitation for the period November 1, 2002 through April 30, 2003.

On August 16, 2002, the Companies issued a Request for Power Supply Proposal ("RFP") requesting bids to supply the Companies' default service needs. This procurement is intended to cover the Companies' entire default service supply needs for the period November 2002 through April 2003. The RFP sought fixed price proposals, which could vary by calendar month, for the residential customer group, commercial customer group, and industrial customer group. The retail default service prices for the period November 2002 through April 2003 resulting from the winning bids are contained in Attachment 1 to this letter.¹ A confidential analysis of the bid results has been provided under a separate cover letter, with a request for confidential treatment. The results of the current solicitation provide the Companies with all of their default service supplies for the period November 2002 through April 2003. The Companies do not have any of their default service requirements contracted beyond April 2003.

The proposed default service rates included in this filing do not include any costs associated with the Companies' compliance with the Massachusetts Renewable Portfolio Standards ("RPS") that become effective on January 1, 2003. The Companies will be making a

¹ The possible implementation within NEPOOL of a standard market design featuring location marginal pricing prior to April 30, 2003, will not affect the Companies' proposed retail default service rates during the period covered by this filing.

filing with the Department in October 2002 which will present their process for complying with the RPS and a proposal for the recovery of the cost of such compliance.

The Companies are providing the calculation of the default service rates for the six-month fixed price option for the three customer groups in Attachment 2. Attachment 3 includes the revised tariff supplement to the Companies' default service tariff², containing the proposed fixed and variable default service rates for the period November 2002 through April 2003. The Companies are proposing that these rates become effective for usage on and after November 1, 2002.

Thank you very much for your time and attention to the Companies' filing.

Very truly yours,

Amy G. Rabinowitz
Attorney for
Massachusetts Electric Company
and Nantucket Electric Company

cc: DTE 99-60 Service List

² Both Companies' default service tariff is Tariff for Default Service, M.D.T.E. No. 1041.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
M.D.T.E. DOCKET 99-60

ATTACHMENT 1

**Massachusetts Electric Company
Nantucket Electric Company**

**Default Service Prices (cents per kWh at retail)
November 2002 - April 2003**

Customer Group	Contract Month	1	2	3	4	5	6
	Calendar Month	11	12	1	2	3	4
	Year	2002	2002	2003	2003	2003	2003
Residential							
	Monthly Price	5.090	5.254	5.581	5.357	4.692	4.513
	Portion of load served	100%	100%	100%	100%	100%	100%
Commercial							
	Monthly Price	4.998	5.107	5.510	5.276	4.633	4.436
	Portion of load served	100%	100%	100%	100%	100%	100%
Industrial							
	Monthly Price	4.970	5.083	5.484	5.275	4.606	4.419
	Portion of load served	100%	100%	100%	100%	100%	100%

Footnotes

- 1) Monthly prices calculated as the average cost of supply (converted to retail delivery) in a confidential submission under separate cover.
- 2) Figures in bold represent proposed monthly default service rates

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
M.D.T.E. DOCKET 99-60

ATTACHMENT 2

Massachusetts Electric Company
Nantucket Electric Company
Summary of Proposed Default Service Charges
November 2002 - April 2003

		<u>R-1</u>	<u>R-2</u>	<u>R-4</u>	<u>G-1</u>	<u>G-2</u>	<u>G-3</u>	<u>Streetlights</u>
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
<u>Section 1: Variable Default Service Charges, ¢/kWh</u>								
(1)	November 2002	5.090	5.090	5.090	4.998	4.970	4.970	4.998
(2)	December 2002	5.254	5.254	5.254	5.107	5.083	5.083	5.107
(3)	January 2003	5.581	5.581	5.581	5.510	5.484	5.484	5.510
(4)	February 2003	5.357	5.357	5.357	5.276	5.275	5.275	5.276
(5)	March 2003	4.692	4.692	4.692	4.633	4.606	4.606	4.633
(6)	April 2003	4.513	4.513	4.513	4.436	4.419	4.419	4.436
<u>Section 2: Fixed Default Service Charge, ¢/kWh</u>								
(7)	November 2002 - April 2003	5.110	5.110	5.110	5.015	4.980	4.980	5.015

(1)	R-1: Page 2, Line (8), Column (a) R-2: Page 2, Line (8), Column (a) R-4: Page 2, Line (8), Column (a) G-1: Page 3, Line (8), Column (a) G-2: Page 4, Line (8), Column (a) G-3: Page 4, Line (8), Column (a) Streetlights: Page 3, Line (8), Column (a)	(5)	R-1: Page 2, Line (8), Column (e) R-2: Page 2, Line (8), Column (e) R-4: Page 2, Line (8), Column (e) G-1: Page 3, Line (8), Column (e) G-2: Page 4, Line (8), Column (e) G-3: Page 4, Line (8), Column (e) Streetlights: Page 3, Line (8), Column (e)
(2)	R-1: Page 2, Line (8), Column (b) R-2: Page 2, Line (8), Column (b) R-4: Page 2, Line (8), Column (b) G-1: Page 3, Line (8), Column (b) G-2: Page 4, Line (8), Column (b) G-3: Page 4, Line (8), Column (b) Streetlights: Page 3, Line (8), Column (b)	(6)	R-1: Page 2, Line (10), Column (f) R-2: Page 2, Line (10), Column (f) R-4: Page 2, Line (10), Column (f) G-1: Page 3, Line (10), Column (f) G-2: Page 4, Line (10), Column (f) G-3: Page 4, Line (10), Column (f) Streetlights: Page 3, Line (10), Column (f)
(3)	R-1: Page 2, Line (8), Column (c) R-2: Page 2, Line (8), Column (c) R-4: Page 2, Line (8), Column (c) G-1: Page 3, Line (8), Column (c) G-2: Page 4, Line (8), Column (c) G-3: Page 4, Line (8), Column (c) Streetlights: Page 3, Line (8), Column (c)	(7)	R-1: Page 2, Line (10), Column (g) R-2: Page 2, Line (10), Column (g) R-4: Page 2, Line (10), Column (g) G-1: Page 3, Line (10), Column (g) G-2: Page 4, Line (10), Column (g) G-3: Page 4, Line (10), Column (g) Streetlights: Page 3, Line (10), Column (g)
(4)	R-1: Page 2, Line (8), Column (d) R-2: Page 2, Line (8), Column (d) R-4: Page 2, Line (8), Column (d) G-1: Page 3, Line (8), Column (d) G-2: Page 4, Line (8), Column (d) G-3: Page 4, Line (8), Column (d) Streetlights: Page 3, Line (8), Column (d)		

**Massachusetts Electric Company
Nantucket Electric Company**
Residential Fixed Default Service Charge
(Rates R-1, R-2, R-4 and E)
Based on Weighted Average Effective Default Service Wholesale Prices
November 2002 - April 2003

Section 1: Percentage of Residential kWhs Attributable to Default Service

(1)	August 2002 Residential Default Service kWhs	173,807,641
(2)	August 2002 Total Residential kWhs	795,774,868
(3)	Percentage of Residential Default Service kWhs to Total Residential kWhs	21.84%

Section 2: Projected Residential Default Service kWhs, November 2002 - April 2003

	2002 <u>November</u> (a)	<u>December</u> (b)	2003 <u>January</u> (c)	<u>February</u> (d)	<u>March</u> (e)	<u>April</u> (f)	<u>Total</u> (g)
(4)	Projected Total Company Residential kWhs	626,342,068	755,812,058	826,350,137	761,364,635	705,177,084	627,350,786
(5)	Percentage of Residential Default Service kWhs to Total Residential kWhs	<u>21.84%</u>	<u>21.84%</u>	<u>21.84%</u>	<u>21.84%</u>	<u>21.84%</u>	<u>21.84%</u>
(6)	Projected Residential Default Service kWhs	136,801,301	165,079,241	180,485,680	166,291,996	154,019,900	137,021,618

Section 3: Weighted Average Residential Default Service Charge for November 2002 - April 2003

(7)	Projected Residential Default Service kWhs	136,801,301	165,079,241	180,485,680	166,291,996	154,019,900	137,021,618	939,699,735
(8)	Residential Default Service Wholesale Price per kWh	<u>\$0.05090</u>	<u>\$0.05254</u>	<u>\$0.05581</u>	<u>\$0.05357</u>	<u>\$0.04692</u>	<u>\$0.04513</u>	
(9)	Projected Residential Default Service Cost, November 2002 - April 2003	\$6,963,186	\$8,673,263	\$10,072,906	\$8,908,262	\$7,226,614	\$6,183,786	<u>\$48,028,017</u>
(10)	Weighted Average Residential Default Service Charge, Fixed Price Option, for November 2002 - April 2003							\$0.05110
(11)	Currently Effective Residential Default Service Charge							\$0.06203
(12)	Proposed Decrease to Residential Default Service Charge, Fixed Price Option							(\$0.01093)

- (1) Per August 2002 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates R-1, R-2, R-4 and E)
(2) Per August 2002 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates R-1, R-2, R-4 and E)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast for residential rates (Rates R-1, R-2, R-4 and E)
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Per Attachment 1
(9) Line (7) x Line (8)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
Commercial Fixed Default Service Charge
(Rates G-1 and Streetlights)
Based on Weighted Average Effective Default Service Wholesale Prices
November 2002 - April 2003

Section 1: Percentage of Commercial kWhs Attributable to Default Service

(1)	August 2002 Commercial Default Service kWhs	60,107,188
(2)	August 2002 Total Commercial kWhs	193,838,831
(3)	Percentage of Commercial Default Service kWhs to Total Commercial kWhs	31.01%

Section 2: Projected Commercial Default Service kWhs, November 2002 - April 2003

	2002 <u>November</u> (a)	<u>December</u> (b)	2003 <u>January</u> (c)	<u>February</u> (d)	<u>March</u> (e)	<u>April</u> (f)	<u>Total</u> (g)
(4)	Projected Total Company Commerical kWhs	160,863,550	191,449,801	200,011,212	184,878,378	177,215,246	1,076,290,607
(5)	Percentage of Commercial Default Service kWhs to Total Commercial kWhs	<u>31.01%</u>	<u>31.01%</u>	<u>31.01%</u>	<u>31.01%</u>	<u>31.01%</u>	<u>31.01%</u>
(6)	Projected Commercial Default Service kWhs	49,881,933	59,366,377	62,021,172	57,328,655	54,952,406	333,745,316

Section 3: Weighted Average Commercial Default Service Charge for November 2002 - April 2003

(7)	Projected Commercial Default Service kWhs	49,881,933	59,366,377	62,021,172	57,328,655	54,952,406	50,194,772	333,745,316
(8)	Commercial Default Service Wholesale Price per kWh	<u>\$0.04998</u>	<u>\$0.05107</u>	<u>\$0.05510</u>	<u>\$0.05276</u>	<u>\$0.04633</u>	<u>\$0.04436</u>	
(9)	Projected Commercial Default Service Cost, November 2002 - August 2003	\$2,493,099	\$3,031,841	\$3,417,367	\$3,024,660	\$2,545,945	\$2,226,640	<u>\$16,739,551</u>
(10)	Weighted Average Commercial Default Service Charge, Fixed Price Option, for November 2002 - April 2003							\$0.05015
(11)	Currently Effective Commercial Default Service Charge							\$0.06493
(12)	Proposed Decrease to Commercial Default Service Charge, Fixed Price Option							(\$0.01478)

- (1) Per August 2002 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-1 and Streetlights)
(2) Per August 2002 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-1 and Streetlights)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Per Attachment 1
(9) Line (7) x Line (8)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff

**Massachusetts Electric Company
Nantucket Electric Company**
Industrial Fixed Default Service Charge
(Rates G-2 and G-3)

Based on Weighted Average Effective Default Service Wholesale Prices
November 2002 - April 2003

Section 1: Percentage of Industrial kWhs Attributable to Default Service

(1)	August 2002 Industrial Default Service kWhs	115,193,821
(2)	August 2002 Total Industrial kWhs	987,569,181
(3)	Percentage of Industrial Default Service kWhs to Total Industrial kWhs	11.66%

Section 2: Projected Industrial Default Service kWhs, November 2002 - April 2003

		2002 November (a)	December (b)	2003 January (c)	February (d)	March (e)	April (f)	Total (g)
(4)	Projected Total Company Industrial kWhs	918,512,601	953,726,187	963,531,720	940,448,480	918,547,128	897,092,851	5,591,858,967
(5)	Percentage of Industrial Default Service kWhs to Total Industrial kWhs	<u>11.66%</u>	<u>11.66%</u>	<u>11.66%</u>	<u>11.66%</u>	<u>11.66%</u>	<u>11.66%</u>	
(6)	Projected Industrial Default Service kWhs	107,138,799	111,246,246	112,390,000	109,697,483	107,142,827	104,640,318	652,255,673

Section 3: Weighted Average Industrial Default Service Charge for November 2002 - April 2003

(7)	Projected Industrial Default Service kWhs	107,138,799	111,246,246	112,390,000	109,697,483	107,142,827	104,640,318	652,255,673
(8)	Industrial Default Service Wholesale Price per kWh	<u>\$0.04970</u>	<u>\$0.05083</u>	<u>\$0.05484</u>	<u>\$0.05275</u>	<u>\$0.04606</u>	<u>\$0.04419</u>	
(9)	Projected Industrial Default Service Cost, November 2002 - April 2003	\$5,324,798	\$5,654,647	\$6,163,468	\$5,786,542	\$4,934,999	\$4,624,056	<u>\$32,488,509</u>
(10)	Weighted Average Industrial Default Service Charge, Fixed Price Option, for November 2002 - April 2003							\$0.04980
(11)	Currently Effective Industrial Default Service Charge							\$0.05209
(12)	Proposed Decrease to Industrial Default Service Charge, Fixed Price Option							(\$0.00229)

- (1) Per August 2002 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(2) Per August 2002 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
(6) Line (4) x Line (5)
(7) Line (6)
(8) Per Attachment 1
(9) Line (7) x Line (8)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
M.D.T.E. DOCKET 99-60

ATTACHMENT 3

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

SUPPLEMENT TO TARIFF FOR DEFAULT SERVICE

FOR THE PERIOD NOVEMBER 2002 THROUGH APRIL 2003

In accordance with the terms of the Tariff for Default Service, the rates for Default Service for customers receiving such service from the Company, are as follows. All rates will be applied as a uniform ¢ per kWh charge, for usage on and after the first day of each calendar month.

	Rate Tariff						
	<u>R-1</u>	<u>R-2</u>	<u>R-4</u>	<u>G-1</u>	<u>G-2</u>	<u>G-3</u>	<u>S-1, S-2 S-3, S-5, S-20</u>
Fixed Price Option:	5.110¢	5.110¢	5.110¢	5.015¢	4.980¢	4.980¢	5.015¢
Variable Price Option:							
November 2002	5.090¢	5.090¢	5.090¢	4.998¢	4.970¢	4.970¢	4.998¢
December 2002	5.254¢	5.254¢	5.254¢	5.107¢	5.083¢	5.083¢	5.107¢
January 2003	5.581¢	5.581¢	5.581¢	5.510¢	5.484¢	5.484¢	5.510¢
February 2003	5.357¢	5.357¢	5.357¢	5.276¢	5.275¢	5.275¢	5.276¢
March 2003	4.692¢	4.692¢	4.692¢	4.633¢	4.606¢	4.606¢	4.633¢
April 2003	4.513¢	4.513¢	4.513¢	4.436¢	4.419¢	4.419¢	4.436¢

Effective: November 1, 2002